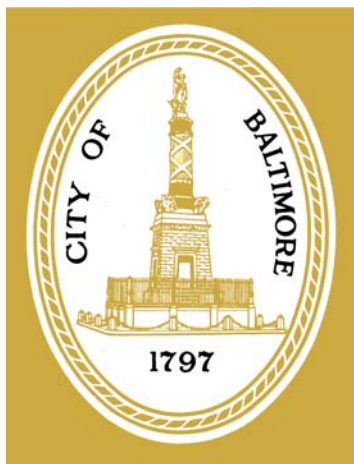


PERFORMANCE AUDIT REPORT

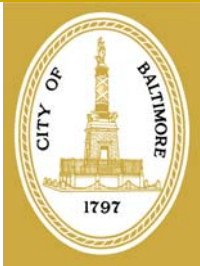
CITY OF BALTIMORE
DEPARTMENT OF RECREATION AND PARKS
CASHIER'S OFFICE
JUNE 2001



City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

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June 29, 2001

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

At the request of the Department of Recreation and Parks (Department), we conducted a performance audit of the Department of Recreation and Parks - Cashier's Office for the period from July 1, 1998 through December 31, 2000. We reviewed the Cashier's Office financial accounting system and records, focusing on those procedures related to cash collection and payment for amusement park ticket sales.

The purpose of our audit was to determine whether adequate procedures were in place to ensure that 1) cash collections for amusement park ticket sales were safeguarded, supported, properly recorded, and promptly deposited with the City Treasury; and 2) payments to the Maryland Recreation Parks Association (MRPA) were supported and properly approved.

Our audit disclosed that the Department failed to establish adequate oversight of the cashier's duties and responsibilities. As result of our audit, we determined that procedures were not adequate to provide assurance that the cash collections for amusement park ticket sales were safeguarded, properly recorded and promptly deposited with the City Treasury and that payments to the Maryland Recreation Parks Association were supported and authorized. We identified several weaknesses in the procedures for cash collections and recommend that Department of Recreation and Parks:

- Develop written policies and procedures that clearly define the operational responsibilities of the Cashier's Office.
- Establish adequate oversight of the operations of the Cashier's Office.
- Periodically conduct independent reviews and reconciliations of the cash collection records maintained by the Cashier's Office to those of the recreation and special facility centers, the City's deposit and accounting records and MRPA billings.
- Enforce Department's contractual agreements for the handling of revenues collected and payments submitted to MRPA for amusement park ticket sales.
- Separate the duties and responsibilities of the Cashier's Office.

- Assign an employee who does not have access to other cash collections to handle the petty cash fund. Also evaluate the petty cash fund limit and analyze other ways of meeting the Department's small purchase requirements.
- Establish procedures for the retention and safekeeping of the financial records.

We appreciate the cooperation and assistance provided by the staff members of the Department of Recreation and Parks while conducting this audit. Their knowledge and assistance were instrumental to the completion of this audit.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

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Background Information

The Department of Recreation and Parks (Department) is authorized by the Baltimore City Charter to provide leisure activities for Baltimore citizens through the management of recreation centers, special facilities and municipal parks. Its mission is to enhance the quality of life by providing diverse recreational, environmental, cultural, educational and leisure opportunities to benefit current and future generations of Baltimore citizens. The Department accomplishes its mission by providing services that include fun and summer camp, aquatics, competitive sport activities, senior citizen programs and activities, therapeutic services and pet programs. The Department operates with support from the General Fund supplemented by user fees charged to participants for recreational services.

The Cashier's Office (Office) in the Department is responsible for collecting user fees for recreational services including fees from the sale of amusement park tickets. The tickets are paid for with cash but recreation centers and special facilities can charge purchases by journal entry to their accessory account. The Office deposits the cash collections into the City's designated depository bank via armored security services.

During each season, (the season runs from May through October), the Maryland Recreation and Parks Association (MRPA) obtains blocks of tickets at discounted prices from various amusement parks such as King's Dominion, Six Flags of America, Hershey Park, Busch Gardens, etc. With a signed memorandum of agreement, MPRA consigns the tickets to various organizations and municipalities in the State of Maryland for sale to the citizens. The Baltimore City Department of Recreation and Parks, in cooperation with MRPA, has been able to provide the residents of Baltimore City access to summer fun and entertainment at discounted costs through this arrangement.

In each season, the Office estimates the season's needs for amusement park tickets and requests from MRPA tickets for the various theme parks. The tickets are sold to Baltimore City residents and others in the surrounding counties. Prior to the 2000 season, the Department provided this service to anyone requesting amusement park tickets, but the Office was directed to restrict this service to only Baltimore City Recreation and Special Facility Centers beginning with the 2000 season. The Office collects the revenue from amusement park ticket sales and deposits it in the City's Treasury to pay MRPA. The Department receives a commission of approximately 1.5% from ticket sales.

Audit Scope, Objectives and Methodology

We have conducted a performance audit of the Department of Recreation and Parks (Department) - Cashier's Office for the period from July 1, 1998 through December 31, 2000. We reviewed the Cashier's Office financial accounting system and records, focusing on those procedures related to the cash collection and payment for amusement park ticket sales. Our audit was performed in accordance with generally accepted government auditing standards generally accepted in the United States of America and, accordingly, included such tests of the records and, such other auditing procedures we considered necessary in the circumstances.

The objectives of our audit were to determine whether adequate procedures were in place to assure that 1) cash collections for amusement park ticket sales were safeguarded, supported, properly recorded, and promptly deposited with the City Treasury; and 2) payments to the Maryland Recreation Parks Association were supported and authorized.

In conducting this audit, we obtained an understanding of the Department's operations specifically focusing on the Cashier's Office duties and responsibilities. We reviewed the Department's financial accounting system and records, policies and procedures for cash collections, and payments for amusement park ticket sales. We also reviewed the City's Administrative Manual for related policies and procedures.

Our audit findings and recommendations are detailed in the Findings and Recommendations section of this report. The Department of Recreation and Parks' response is included as an appendix to this report.

Findings and Recommendations

Guidance and Oversight of the Cashier's Office

Background

The Cashier's Office is responsible for collecting the Departments' revenue, recording, and depositing the funds into the City's Treasury. Total revenue collected by the Cashier's Office for fiscal year 2000 amounted to \$6,184,868. The cashier also disbursed funds for petty cash and other expenditures of the Department. The duties of the cashier have been performed by the same individual who has been with the agency for several years. Occasionally, part-time help is used in the absence of the cashier and at peak times.

Conclusions

The Department did not establish properly defined written accounting policies and procedures to guide and direct the operations in the Cashier's Office. There was also a lack of proper review, monitoring and supervision of the daily operations in the Cashier's Office.

Finding #1

The Department did not establish written policies and procedures to guide and direct the cashier on the responsibilities of the Cashier's Office.

Analysis

The Department did not have written policies and procedures defining the operational responsibilities for the Cashier's Office. The petty cash fund limit was exceeded without authorization, designated cash collections were co-mingled, and cash collections were deposited into the City Treasury at irregular intervals and/or not deposited at all.

The cashier accepted cash and checks from the recreation and special facility centers without recording them upon receipt. Several days passed before the cashier acknowledged the receipt of collections turned in by the centers.

Recommendation

We recommend that the Department establish written policies and procedures that clearly define the operational responsibilities of the Cashier's Office. Those policies and procedures should clearly define the duties and responsibilities of the cashier and at a minimum, should address such functions as revenue collection, recordation and daily reconciliation of cash receipts and petty cash handling. The establishment of adequate written policies and procedures would help to ensure consistency of application and adherence to authorized policies and would also serve as a valuable aid in training employees.

Finding #2

The Department did not adequately review and supervise the operations in the Cashier's Office.

Analysis

There was inadequate direction and supervision of the activities in the Cashier's Office. Although the Cashier's Office is under the fiscal division of the Department, the cashier received minimal supervision and control from the financial supervisor. The cashier had the opportunity to initiate and execute policies and procedures, make and carry out decisions unilaterally, and work without hindrance to change existing practices. The Department's management did not perform routine reviews of the cashier's work and supervise the operations of the Cashier's Office.

Recommendation

We recommend that the Department's management perform a financial closeout of cash collections daily and supervise the operations of the Cashier Office. The establishment of proper oversight not only assists and guides the activities of the cashier but ensures compliance with policies and procedures.

Cashier's Office

Conclusion

The Cashier's Office cash collection records were not independently reviewed and periodically reconciled with the related records of the recreation and special facility centers, MRPA billings, and the City's cash deposit and accounting records. The duties and responsibilities of the Cashier's Office were not adequately separated. The Cashier's Office did not comply with the Department's contractual agreements. The petty cash fund limit was exceeded, and petty cash funds were co-mingled with other cash collections. Finally, the Cashier's Office records that support cash collections and deposits were not retained.

Finding #3

The records of the Cashier's Office for all cash collections and/or charge to recreation and special facility centers were not independently reviewed and reconciled to the following records:

- **City's cash deposit and accounting records**
- **Recreation and special facility centers' records**
- **Maryland Recreation Parks Association billings**

Analysis

The Cashier's Office cash receipt books were not periodically reconciled to City's cash deposit and accounting records, records maintained by the recreation and special facility centers and MRPA billings by an employee independent of collection, recording, and depositing functions. We reviewed and traced the Cashier's Office receipt books to the City's cash deposits for the period from January 1, 1999 through February 28, 2001. Our review disclosed that cashier's receipts totaling to \$32,751, dated from April 23, 1999 through April 26, 1999, were not deposited into the City's Treasury. Neither the Department nor the cashier was able to provide an explanation for this discrepancy. Consequently, there is a lack of assurance that all collections received were properly deposited into the City's Treasury.

The Department paid MRPA \$37,400 for 2,200 amusement park tickets presumed sold for the 1999 season. A year later, the Cashier's Office found those amusement park tickets in the safe. Unsold tickets must be returned to MRPA by the specified date to avoid being charged. As a result, the Department paid MRPA with funds from other sources.

Additionally, the Department could not account for 2,119 amusement park ticket sales totaling \$37,967 for the 2000 season. Total ticket sales for the 2000 season were \$108,715. At the end of the 2000 season, MRPA billed the Department for the balance of ticket sales owed based on total consignment less returned tickets. Funds from ticket sales or charges to the centers were not available to pay the balance owed to MRPA. Although these discrepancies in the 1999 and 2000 seasons are similar in amount, each season's amusement park sales are mutually exclusive of each other and are not related.

Unsold amusement park tickets are returned to MRPA, not carried over to the next season. Since the accounting system, policies and procedures provided inadequate guidance and oversight over the Cashier's Office and allowed individual control over cash collecting, recording, depositing, and disbursement functions, errors and/or irregularities could occur without detection in a timely manner.

Recommendation

We therefore, recommend the following:

- **The Department establish adequate accounting and cash management systems for the Cashier's Office to ensure that all revenues are properly collected and deposited, transactions are correctly recorded and any errors and irregularities are detected in a timely manner.**
- **The records of the Cashier's Office be periodically reviewed and reconciled to the City's records (deposit and accounting), to records maintained by the recreation and special facility centers, and to the MRPA final billing by an employee independent of collection, recordation, deposit and disbursement functions.**

Finding #4

The Cashier's Office did not comply with the procedures for handling and submitting payments for amusement park ticket sales.

Analysis

The Cashier's Office did not comply with contracted procedures with MRPA for handling and submitting payments for amusement park ticket sales. The Department contracted with MRPA to deposit revenues from ticket sales into the City's bank account and to submit regular payments to MRPA. We found that for the 1998 and 1999 seasons, the Cashier's Office directly deposited funds nine times for a total of \$348,467 (40%) of \$875,143 in ticket sales into MRPA's account contrary to contracted procedures and the City's policy. The City's policy is that all cash collections are to be deposited into the City's designated depository bank via armored security services. The process of directly depositing cash collections into MRPA's bank account not only violated the City's disbursement policy but also did not provide accountability of funds to validate the amount collected from ticket sales for subsequent payment to MRPA.

Recommendation

We recommend that the Department adhere to contract procedures for the handling of revenues collected and submitting payments to MRPA for amusement park ticket sales.

Finding #5

The duties and responsibilities of the Cashier's Office were not adequately separated.

Analysis

The duties and responsibilities of the Cashier's Office were not adequately separated. The Cashier's Office is responsible for collecting all cash and checks (collections) for the Department from the recreation and special facility centers including amusement park ticket sales, receipting the collection and depositing the collection into the City's designated depository bank. The Cashier's Office also has custodial responsibility of the petty cash fund, which includes disbursing and replenishing the fund periodically. All of these duties and responsibilities were handled by one individual. Since these procedures allow one individual to have control over many processes, errors and irregularities could occur without being detected in a timely manner.

Recommendation

We recommend that the duties and responsibilities of collecting and recording be separated from depositing and disbursement functions. We also recommend that another employee without access to the other collections be responsible for handling the petty cash fund and amusement park ticket sales.

Finding #6

Cash collections from recreation and special facility centers and the petty cash fund were co-mingled.

Analysis

Cash collections received by the Cashier's Office from recreation and special facility centers and the petty cash fund were co-mingled. Our review disclosed that the petty cash fund was overdrawn by as much as \$3,511. The authorized petty cash balance is \$5,000. The cashier was not replenishing the petty cash fund timely, impacting the need to use existing cash collections from other sources to cover the petty cash deficit.

Recommendation

We recommend that the Department reconcile petty cash and disbursement receipts to the imprest fund amount. We also recommend that the Department develop written policies and procedures that provide guidance for handling petty cash and clearly define the custody, disbursement and replenishment of the petty cash fund. The Department should assess and evaluate the need to maintain a petty cash balance of \$5,000 and analyze other ways of utilizing the City's procurement system to meet the small purchase requirements for the Department.

Finding #7


The Department could not account for a missing receipt book that supports the Cashier's Office receipt of cash collections and deposits.

Analysis

The Department could not account for a missing receipt book that supports the cashier's receipt of cash collections and deposits. We could not verify deposits of \$123,260 for the 1999 season as complete because the cashier's receipt book was missing. In this particular book, 200 pre-numbered receipts ranged from 77201 through 77400. There were deposits that documented pre-numbered receipts through 77285. The balance of 116 (77400 – 77285) receipts could not be accounted for because there was neither evidence of the related cash being deposited nor evidence of the cashier's receipts being unused. We also noted that the Cashier's Office simultaneously used several cash receipt books at the same time. The Department did not have a policy for the sequential use of receipt books and the completion of a book before another one is issued. Procedures to control the safekeeping of the financial records are necessary to support the deposits of the cashier's office, to perform cash collection reconciliation, and to comply with the City's record retention policy.

Recommendation

We recommend that the Department account for all cash receipt numbers and establish policy and procedure to ensure the retention and safeguarding of the financial records that document and support the receipt of all collections and deposits.

FROM	NAME & TITLE	Marvin F. Billups, Jr. Director	CITY of BALTIMORE MEMO 396-6132	
	AGENCY NAME & ADDRESS	Department of Recreation and Parks 3001 East Drive - Druid Hill Park		
	SUBJECT	Responses to Draft Performance Audit - Cashier's Office		

TO

Yovonda D. Brooks, City Auditor
Department of Audits
Room 321
City Hall

DATE: June 14, 2001

We have reviewed the draft of the Performance Audit for the Cashier's Office, and have attached the following:

Responses to the draft Performance Audit Report dated May 2001
Amendment to Finding No. 1 in the Performance Audit of the Department dated October 2000

Attachment

c: Stephanie Parham Brown

MFB/spb

City of Baltimore
Department of Recreation and Parks

Responses to Performance Audit Report

Cashier's Office

May 2001

City of Baltimore
Department of Recreation and Parks
Responses Performance Audit Report
Cashier's Office
May 2001

Finding #1

The Department did not establish written policies and procedures to guide and direct the cashier on the responsibilities of the Cashier's Office.

Recommendation

We recommend that the Department establish written policies and procedures that clearly define the operational responsibilities of the Cashier's Office. Those policies and procedures should clearly define the duties and responsibilities of the cashier and at a minimum, should address such functions as revenue collection, recordation and daily reconciliation of cash receipts and petty cash handling. The establishment of adequate written policies and procedures would help to ensure consistency of application and adherence to authorized policies and would also serve as a valuable aid in training employees.

Response

The agency has developed a Cash Management Policy and Procedures Manual that addresses these issues. Training and orientation has been given to the employees assigned to the Cashier's Office.

Finding #2

The Department did not adequately review and supervise the operations in the Cashier's Office.

Recommendation

We recommend that the Department's management perform a financial closeout of cash collections daily and supervise the operations of the Cashier's Office. The establishment of proper oversight not only assists and guides the activities of the cashier but ensures compliance with policies and procedures.

Response

The agency's Cash Management Policy and Procedures Manual address issues related to managerial oversight of the Cashier's Office. These guidelines are being followed. Daily cash transaction closeouts are performed by staff persons independent of the cashiering function.

Finding #3

The records of the Cashier's Office for all cash collections and/or charge to recreation and special facility centers were not independently reviewed and reconciled to the following records:

- City's cash deposit and accounting records
- Recreation and special facility centers' records
- Maryland Recreation Parks Association billings

Recommendation

We therefore, recommend the following:

- **The Department establish adequate accounting and cash management systems for the Cashier's Office to ensure that all revenues are properly collected and deposited, transactions are correctly recorded and any errors and irregularities are detected in a timely manner.**
- **The records of the Cashier's Office be periodically reviewed and reconciled to the City's records (deposit and accounting), to records maintained by the recreation and special facility centers, and to the MRPA final billing by an employee independent of collections, recordation, deposit and disbursement functions.**

Response

The agency has an accounting system in place to track the cash transactions from the collection point to the time the cash is receipted and deposited. We are currently reviewing and reconciling the Cashier's transactions on a monthly basis upon receipt of the City's accounting records for all facilities. We have assigned one employee who is independent of collection, recordation, deposit and disbursement activities the responsibility for this function.

Finding #4

The Cashier's Office did not comply with the procedures for handling and submitting payments for amusement park ticket sales.

Recommendation

We recommend that Department adhere to contract procedures for the handling of revenues collected and submitting payments to MRPA for amusement park ticket sales.

Response

The agency has reassigned the duties and responsibility of the sale of discount tickets to an employee other than the Cashier. The agency's Cash Management Policy and Procedures Manual includes procedures for handling the sale of discount tickets. Ticket sales will be done in accordance with the contract governing the particular tickets being sold.

Finding #5

The duties and responsibilities of the Cashier's Office were not adequately separated.

Recommendation

We recommend that the duties and responsibilities of collecting and recording be separated from depositing and disbursement functions. We also recommend that another employee without access to the other collections be responsible for handling the petty cash fund and amusement park ticket sales.

Response

We have separated the depositing and disbursement functions; the Cashier has responsibility of receipting and depositing the cash transactions from the recreation centers and special facilities. Another individual has been assigned to the sale of amusement park tickets. Reconciliation will be performed by a staff person who is independent of cashiering function.

Finding #6

Cash collections from recreation and special facility centers and the petty cash fund were co-mingled.

Recommendation

We recommend that the Department reconcile petty cash and disbursement receipts to the imprest fund amount. We also recommend that the Department develop written policies and procedures that provide guidance for handling the petty cash fund and clearly define the custody, disbursement and replenishment of the petty cash fund. The Department should assess and evaluate the need to maintain a petty cash balance of \$5,000 and analyze other ways utilizing the City's procurement system to meet the small purchase requirements for the Department.

Response

The reconciliation of the petty cash fund and receipts are handled by someone other than the individual who dispenses the fund. The policy and procedures for handling the petty cash fund are delineated in the Cash Management Policy and Procedures Manual. The Department recently completed the training and issuance of corporate VISA cards for the agency. We feel that through the utilization of the charge cards the use of petty cash funds will be reduced. We will evaluate and analyze the need to maintain the current petty cash balance of \$5,000 after the close of our summer season.

Finding #7

The Department could not account for a missing receipt book that supports the Cashier's Office of cash collections and deposits.

Recommendation

We recommend that the Department account for all cash receipts numbers and establish policy and procedure to ensure the retention and safeguarding of the financial records the document and support the receipt of all collections and deposits.

Response

In response to the audit of the recreation centers and special facilities in October 2000, the department established a procedure for safeguarding the cash receipt books and other supporting financial documents. We will comply with the City's record retention schedule.

Response to Finding # 7 (continued)

In the response to the Performance Audit dated October 2000, all deposits are processed and reconciled against records (receipts) of funds collected. All cashier's receipt books are signed for and are not be replaced until all receipts have been used. All receipt books are used in sequential order. Used and unused cash receipt books are stored and maintained in the agency accounting office.

Amended Response to the October 2000 Performance Audit Report

Response to Finding # 1

When funds collected reach \$300 or more, or have been held at the center for five (5) business the deposit must be made immediately.